

**RIDING PIGGYBACK :  
WHAT ARE THE CHANCES OF SUCCESS ?**

The name of the international (corporate) game, these days, appears to be:

*'Come, ride piggyback with me.'*

Quite a number of companies, round the world, are teaming up with their international counterparts in the hope that the combined mergers will enhance all parties' financial interests.

There is, also, the other nagging concern, on the part of many of these multinationals and would-be multinationals, that that is the only way to keep the competition at bay.

The emergence, in the past 2 decades, of instantaneous information and the instantaneous transmission of data, not to mention technological breakthroughs in telecommunication, has changed the rules of the corporate game so that, no longer, can there be one entity which can lay exclusive claims to anything.

While people, around the world, will still eat on a regular basis and will, always, have to wear clothes, and the food industry and the garment-manufacturing industry will, always, have an honoured place in commerce and industry, the methods of distribution and the methods of purchasing have changed – permanently.

The day may one day come when housewives will not have to go to the local supermarket or clothing store for groceries and garments, at least, not to the extent that they do, today.

That the local supermarket and departmental store will, most likely, always be around, is undisputed, but dramatic changes are being recognised by more sophisticated managements of the largest retailers.

The Chief Executive Officer of Sears (Canada) Incorporated, Mr Paul Walters, for instance, was not loath to announce, late last year, on a radio programme in Toronto, that Sears was receiving orders for its goods at the rate of about 2.50 million orders per day – over the internet and telephone.

Sears was one of the leaders in electronic purchasing, and, it has a 24-hour, on-line shopping service.

Sears Roebuck and Company, the parent company, of course, was, also, one of the first companies to realise the importance of advertising its goods via its own catalogue, going back more than 100 years.

So the idea of outreach marketing is hardly a new concept to this forward-thinking company.

But what is sauce for the goose may not be sauce for the gander.

Many companies, today, are attempting to ride the coat tails of other companies in other parts of the world in the belief that the resulting corporate '*marriage*' will result in added benefits for all parties concerned; and, that such mergers will result in added shareholder value.

But it is not happening in many cases, according to reports.

In fact, in many cases, the costs, associated with such marriages, are far in excess of the economic values derived at the end of the day.

One major problem, of course, is that the larger the conglomerate, the less efficient it is likely to be since controls become increasingly more difficult.

The Chinese, family run company, with its low-trust values, has the advantage of guaranteeing managerial controls since the founding family, in most cases, watches every penny, coming in and out of the company, as well as keeping tabs of inventory controls, etc.

The downside of this methodology, of course, is that such a *modus operandi* (MO) is hamstringing such enterprises and, due to this MO, it cannot, ever, grow to the size of a Sears, a General Motors, a British American Tobacco Company.

This raises the question, of course, as to what happens when members of the founding family of an enterprise leave, for one reason or another.

One notes the financial demise of publicly Climax International Company Ltd of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

This is just one of the most recent examples.

Other well-known examples of publicly listed companies which, at one time or another, for one reason or another, got into a financial pickle, include the late Mr Fung King Hey's Sun Hung Kai Bank Ltd Group (now known as The International Bank of Asia Ltd), Tak Wing Investment (Holdings) Ltd, Paul Y. Construction Company Ltd (now known as Paul Y-ITC Construction Holdings Ltd), The Sincere Company Ltd, Siu-Fung Ceramics Holdings Ltd, the late Mr Chiang Ming Thien's Overseas Trust Bank Ltd, and, of course, The Wing On (Holdings) Ltd.

This is, by no means, a comprehensive list, for TARGET could write reams on the number of companies, which, due to low-trust management style, sank from glory to ignominy.

And this raises questions as to the ability of HKSAR companies, employing low-trust (family) management styles, to continue, effectively, and over the long haul, after the founders die or retire.

### **A Potential Problem**

One of the many concerns that TARGET's economists recently raised to one international management team was the prospect of continuing control.

When the late Mr Fung King Hey was in control of his Sun Hung Kai and Company Ltd, resulting in the *'birth'* of The Sun Hung Kai Bank Ltd, controls, of all types, were in his strong hands: What he said was law.

When his organisation grew, it was necessary for Mr Fung to delegate some of his responsibilities to family members and, then, to parties who were not associated, immediately, with his family.

The result was disaster, as history has reported.

His family members were not up to the task of continuing along the tried-and-tested road to success and, on his death, the empire, that he had worked so hard to build up, collapsed in a few short years.

From a stockbrokerage operation, Mr Fung parlayed his little nest egg into hundreds of millions of dollars.

That he was a genius of his day is undisputed, but, like animals of yesteryear, he was unable to adjust to the changing economic environment of the then Hongkong.

And his family members were inadequate to the task, too, having never been fully tutored in the concept that there is such a thing as an international marketplace, one that is outside Hongkong ... and Asia.

### **Ripe For The Pickings**

Asia is, clearly, ripe for the pickings.

International organisations are likely to descend on Asia, mopping up *'family'* concerns for relatively little money, and pocketing these concerns into the coffers of their parents in North America and Europe.

On the other side of the coin, however, those *'family'* concerns, which attempt to be forward-thinking, having read about riding piggyback in books on the subject, are likely to try *'to buy'*, what they envisage as being management continuity, by putting their organisations into international conglomerates, accepting shares in those conglomerates as payment.

There is no guarantee, of course, that the resulting *'marriages'* can achieve the desired goal.

But a major problem is that the enlarged organisation will have control of the *'marriage bed'*, making its decisions as to who shall sleep in it; and, if that management is not up to the task, the poor results will cascade down to the shareholders of the HKSAR *'family'* concerns, which will, by that time, be part of an international conglomerate.

There is a good chance that, in the mad dash to jump aboard the train, rushing out of the 2000-year station, many companies will make terrible managerial mistakes, riding an enlarged train to oblivion.

At one time, TARGET recalls, nothing was bigger than Mr George Tan Soon Gin's Carrian Investments Ltd.

Companies, listed on The Stock Exchange of Hongkong Ltd, could not wait for the opportunity to climb aboard the Carrian investment vehicle.

The bones of these companies lie in the graveyards of the HKSAR and, in large part, have been forgotten.

Who recalls these companies: Carrian Energy Resources Ltd; Grand Marine Holdings Ltd; J.F. Special Holdings Ltd; Rama Tower Company Ltd; and, any of the other former 53 Carrian subsidiaries and 17 associates.

The lessons of yesteryear seem to be fading, and many managers and investors, today, are assuming that they can still follow the paths of the last decades, and still achieve profitable results.

History is likely to prove, yet again, that nothing can replace the dynamic entrepreneurialism of the individual who, when the dust settles, will still exist, long after *'e-dot.comeplaymygame'* has vanished from the Internet.

And he will, still, have new and exciting ideas ... long after the battery dies on that 21st Century laptop computer.

-- E N D --